

9 May 2022

Subject: Management Discussion and Analysis for the period ended 31 March 2022

 To: The President
 The Stock Exchange of Thailand

SAAM Development Public Company Limited (the “Company”) would like to provide explanation and analysis regarding financial performance and position for the period ended 31 March 2022 as follows.

(1) Financial performance

Statement of income	Consolidated Financial Statements for					
	3-Month Period Ended 31 March 2022 (Unaudited but reviewed)		3-Month Period Ended 31 March 2021 (Unaudited but reviewed)		Change Increase (Decrease)	
	THB Million	%	THB Million	%	THB Million	%
Revenues						
Service and rental income	16.54	22.73	13.73	68.87	2.81	20.46
Sales income	4.68	6.44	4.92	24.69	(0.24)	(4.88)
Gain on sales of investment in indirect subsidiaries	51.33	70.53	-	-	51.33	
Net gain on exchange rate	-	-	0.94	4.71	(0.94)	(100.00)
Other income	0.22	0.30	0.34	1.73	(0.13)	(36.34)
Total revenues	72.77	100.00	19.94	100.00	52.83	265.00
Expenses						
Cost of service and rental	4.10	5.64	3.14	15.74	0.96	30.71
Cost of sales	1.53	2.10	1.57	7.88	(0.05)	(2.99)
Selling and service expenses	0.04	0.06	0.06	0.28	(0.01)	(25.45)
Administrative expenses	8.77	12.05	4.09	20.50	4.68	114.61
Net loss on exchange rate	1.05	1.45	-	-	1.05	
Total expenses	15.49	21.29	8.85	44.40	6.64	74.99
Profit before finance cost and income tax expenses	57.28	78.71	11.08	55.60	46.19	416.76
Finance cost	0.65	0.89	0.85	4.24	(0.20)	(23.17)
Profit before income tax expenses	56.63	76.82	10.24	51.35	46.39	453.12
Income tax expenses	1.02	1.39	1.12	5.60	(0.10)	(9.13)
Profit for the period	55.61	76.42	9.12	45.75	46.49	509.72
Profit for equity holders of the Company	55.61	76.42	9.12	45.75	46.49	509.65
Profit (loss) for non-controlling interests of the subsidiaries	0.00	0.00	(0.01)	(0.01)	0.01	200.00

Revenue

Total revenues from operation of SAAM Group consist of (1) service and rental income from project site procurement and provision of related services within solar power projects which SAAM Group provides to client who operates 17 solar power projects in Thailand, and (2) sales income from the sale of electricity from its own solar power project operated by its direct subsidiary.

In Quarter 1 of 2022, total revenues amounted to THB 72.77 million, a THB 52.83 million or 265.00% increase from the same period of the previous year (in Quarter 1 of 2021: THB 19.94 million) mainly due to recognise gain on sale of investment in indirect subsidiaries to handover of 2 Biomass Power Project, and a slight decrease in sales income and other income, which mainly comprises interest income and consultation income, not related to business operations.

- Service and rental income

In Quarter 1 of 2022, SAAM Group's service and rental income, representing stable income generation from long-term contracts with customers operating solar power projects in Thailand, and income from renewable energy project development in accordance with client's requirements income, amounted to THB 16.54 million, representing 22.73% of total revenue (in Quarter 1 of 2021: THB 13.73 million), comprising THB 13.25 million in service income and THB 3.29 million in rental income (in Quarter 1 of 2021: THB 10.44 million and THB 3.29 million, respectively). This is mainly attributable to revenue recognition for biomass power project development in Japan of THB 2.88 million, with successful handover of milestone 1 under the Project Development Service Agreement which SAAM Group entered into with the client on 29 December 2021.

- Sales income

SAAM Group's income from sale of electricity is generated from a 2.0 MW solar power project in Thailand which is operated by SAAM-SP1. In Quarter 1 of 2022, electricity sales amounted to THB 4.68 million, representing 6.44% of total revenue, reflecting a THB 0.24 million or 4.88% decrease from the same period of the previous year (in Quarter 1 of 2021: THB 4.92 million), following periods of rain causing a small reduction in irradiation as compared to 2021.

- Gain on sale of investment in indirect subsidiaries

In Quarter 1 of 2022, SAAM Group handed over of 2 Biomass Power Projects in Japan, namely SAAM Oita 01 Biomass Power and SAAM Oita 02 Biomass Power Projects to a client and sold investment in subsidiaries which hold various permits for the projects. Total contract value is JPY 218.84 million, or equivalent to THB 61.64 million. Therefore, SAAM Group recognized gain from sale of investment amounting to THB 51.33 million.

- Other income

In Quarter 1 of 2022, other income amounted to THB 0.22 million, representing 0.30% of total revenue, a THB 0.13 million or 36.34% decrease from the same period of the previous year (in Quarter 1 of 2021: THB 0.34 million). Other income mainly includes interest income and consultation income, with the decrease being mainly attributable to reductions in interest rate of bank deposit, which is not related to SAAM Group's core business.

Expenses

Cost of sales and services

Cost of sales and services consists of cost of sales from renewable energy investment business, while cost of services and rental consists of cost of project site procurement and rendering of related services business, renewable energy project development for sale business, and renewable energy project development in accordance with client's requirements business. In Quarter 1 of 2022, cost of sales and services amounted to THB 5.63 million, reflecting a THB 0.92 million or 19.47% increase from the same period of the previous year (in Quarter 1 of 2021: THB 4.71 million).

Consolidated financial statements Cost of sales and services	3-Month Period Ended 31 March 2022 (Unaudited but reviewed)		3-Month Period Ended 31 March 2021 (Unaudited but reviewed)		Change Increase (Decrease)	
	THB million	%	THB million	%	THB million	%
Cost of services and rental – provision of services and development of renewable energy projects	4.10	72.82	3.14	66.67	0.96	30.71
Cost of sales – sale of electricity	1.53	27.18	1.57	33.33	(0.05)	(2.99)
Total	5.63	100.00	4.71	100.00	0.92	19.47

- Cost of services and rental

Cost of services and rental mainly consists of (1) cost of the provision of related services within solar power projects which SAAM Group provides to client, and costs related to renewable energy project development overseas, (2) land rental for solar projects operating under SAAM, SAAM-1, SAAM-2, and SAAM-3, and (3) depreciation expense for buildings and equipment. In Quarter 1 of 2022, cost of services and rental amounted to THB 4.10 million, a THB 0.96 million or 30.71% increase from the same period of the previous year (in Quarter 1 of 2021: THB 3.14 million), mainly due to a THB 1 million increase in expense related to the handover biomass power projects in Japan.

- Cost of sales

Cost of sales related to generation and distribution of electricity under SAAM-SP1 mainly includes (1) depreciation expense for the solar power project, (2) operation and maintenance, and (3) other costs such as utility expenses, insurance premium, and power development fund expense. In Quarter 1 of 2022, cost of sales amounted to THB 1.53 million, a THB 0.05 million or 2.99% decrease from the same period of the previous year (in Quarter 1 of 2021: THB 1.57 million).

In Quarter 1 of 2022, SAAM Group's gross profit amounted to THB 15.60 million, representing gross profit margin of 73.48%, a THB 1.66 million or 11.91% increase from the same period of the previous year (in Quarter 1 of 2021: THB 13.94 million). Gain on sale of investment in indirect subsidiaries is not included as part of gross profit calculation.

Selling and administrative expenses

- Selling and service expenses

In Quarter 1 of 2022, selling expenses amounted to THB 0.04 million, a THB 0.01 million or 25.45% decrease from the same period of the previous year (in Quarter 1 of 2021: THB 0.06 million). Selling expense includes commission expenses for land procurement, coordination in relation to services provided in solar power projects in Thailand in which SAAM Group provides services for its clients.

- Administrative expenses

In Quarter 1 of 2022, administrative expenses amounted to THB 8.77 million, a THB 4.68 million or 114.61% increase from the same period of the previous year (in Quarter 1 of 2021: THB 4.09 million). Administrative expenses mainly include salary, employee and management benefits, office rental, travel expenses, and professional fees. In Quarter 1 of 2022, the increase in administrative expenses is mainly due to a THB 0.96 million increase in bonus paid to personnel in March 2022 following the handover of projects to a client, a THB 1.42 million write-off of deposit in relation to the land purchase and sale agreement in Japan, a THB 1.12 million recognition of expense related to sourcing of solar power projects and biomass power projects in Japan, and a THB 0.67 million increase in professional fees.

- Net loss on exchange rate

In Quarter 1 of 2022, SAAM Group's loss from foreign exchange amounted to THB 1.05 million, representing 1.45% of total revenue. In Quarter 1 of 2021, SAAM Group's gain from foreign exchange amounted to THB 0.94 million due to exchange rate fluctuations as SAAM Group has equipment deposit in US Dollar currency and business transactions related to the development of renewable energy projects of a subsidiary in Hong Kong in JPY currency.

Finance cost

In Quarter 1 of 2022, finance costs amounted to THB 0.65 million, a THB 0.20 million or 23.17% decrease from the same period of the previous year (in Quarter 1 of 2021: THB 0.85 million) following repayment of loans.

Net profit

In Quarter 1 of 2022, SAAM Group's net profit amounted to THB 55.61 million, a THB 46.49 million or 509.72% increase from the same period of the previous year (in Quarter 1 of 2021: THB 9.12 million), mainly due to increase in gain on sale of investment in indirectly subsidiaries of THB 51.33 million. On the other hand, administrative expense increased by THB 4.63 million.

(2) Financial position

Financial Position	Consolidated financial statements					
	As of 31 March 2022 (Unaudited but reviewed)		As of 31 December 2021 (Audited)		Change Increase (Decrease)	
	THB million	%	THB million	%	THB million	%
Total assets	478.16	100.00	429.12	100.00	49.04	11.43
Total liabilities	116.10	24.28	123.33	28.74	(7.24)	(5.87)
Total shareholders' equity	362.07	75.72	305.79	71.26	56.28	18.40

Assets

At the end of Quarter 1 of 2022, SAAM Group presented total assets of THB 478.16 million, mainly comprising property, plant and equipment (PPE) including solar power project and land under its subsidiary, and investment properties including project land used as site location for clients' solar power projects. Total assets increased by THB 49.04 million or 11.43% from the end of the previous year (end of 2021: THB 429.12 million) mainly due to the increase in cash and cash equivalent amounting to THB 61.64 million, reflecting cash received from the handover of biomass power projects in Japan to a client and disposition of investment in subsidiaries. In addition, SAAM Group removed project in progress under its subsidiaries of THB 10.31 million in full.

Liabilities

At the end of Quarter 1 of 2022, SAAM Group presented total liabilities of THB 116.10 million, mostly comprising long-term loans from a financial institution for SAAM-SP1 solar power project and SAAM-3 land purchase, and contract liabilities. Total liabilities decreased by THB 7.24 million or 5.87% from the end of the previous year (end of 2021: THB 123.33 million) mainly due to the decrease in long-term loans from financial institutions of THB 5.12 million from gradual repayment, and liabilities under lease agreements of THB 1.29 million.

Shareholders' equity

At the end of Quarter 1 of 2022, SAAM Group presented total shareholders' equity of THB 362.07 million, a THB 56.28 million or 18.40% increase from the end of the previous year (end of 2021: THB 305.79 million) mainly due to SAAM Group's generation of net profit.

(3) Key Developments in Business Operations

Handover of SAAM Oita 01 Biomass Power and SAAM Oita 02 Biomass Power Projects

On 22 February 2022, SAAM Group handover of 2 biomass power projects in Japan, namely SAAM Oita 01 Biomass Power and SAAM Oita 02 Biomass Power Projects. In the handover of such projects, SAAM Group sold investment in 2 subsidiaries, namely Biomass Power Three GK and Biomass Power Four GK, which hold various permits for the projects to a large Japanese trading company which has no relationship with the Company, subsidiaries, and directors or shareholders of the Company and its subsidiaries. Total contract value is JPY 218.84 million, equivalent to THB 61.64 million.

Project Development for Biomass Power Projects in Japan of an Aggregate 100 MW

Following the execution of the Project Development Service Agreement for Biomass Power Projects in Japan of an Aggregate 100 MW with the client on 14 May 2021, the Company received non-refundable advance payment for phase 1 of development on 2 July 2021 valued THB 26.01 million (JPY 90 million), and recorded this as unearned revenue. The Company is currently performing project site identification and qualification assessment, grid advanced check, and is entering into negotiations with the landowner. As at the end of Quarter 1 of 2022, no revenue is recognized.

Project Development for Biomass Power Projects in Japan

Following the execution of the Project Development Service Agreement for Biomass Power Projects in Japan with the client on 29 December 2021, SAAM Group received non-refundable advance payment for development valued THB 2.88 million (JPY 10 million), and recorded this as unearned revenue. Subsequently, on 7 March 2022, SAAM Group handed over milestone 1 of the project development, and recognized revenue from provision of biomass power project development service in Quarter 1 of 2022, valued THB 2.88 million.

Operation of Efficiency Improvement in Operational Intelligence through Big Data Analytics Business

Following the execution of the Exclusivity Agreement in Utilizing Big Data Analytics Software for Efficiency Improvement in Operational Intelligence with a business partner who is a software developer on 31 May 2021, SAAM Group made preliminary presentations to the hospital client group, both public and private hospitals, for interested hospitals to try out the system and equipment in actual operations. As at the end of Quarter 1 of 2022, SAAM Group entered into a Framework Agreement with a public hospital for a trial project at no charge. At present, proceedings are being undertaken to prepare for such trial project.

Please be informed accordingly,

Yours sincerely,

Mr. Podduang Kongkamee

Chief Executive Officer